



Bucks for Brains

Purpose

Kentucky's Endowment Match Program, commonly referred to as "Bucks for Brains," encourages private investment in public postsecondary education to stimulate business development, generate increases in externally sponsored research, promote institutional excellence, and create better jobs and a higher standard of living.

The program matches public money with private gifts to fund endowed chairs, professorships, research staffs and infrastructure, fellowships and scholarships, and mission support at the public universities.

Past support

The Endowment Match Program was funded through surplus General Fund appropriations of \$110 million in 1998-99 and \$120 million in 2000-01.

The legislature debt-funded another \$120 million for the program in 2002-03. The legislature has not provided additional funding for the program since the 2002-04 biennium.

State funds for the program are appropriated to the Research Challenge Trust Fund for the research institutions and the Regional University Excellence Trust Fund for the comprehensive institutions. These trust funds were created with the passage of the *Kentucky Postsecondary Education Improvement Act of 1997*.

Proposal

The Council requests a \$200 million debt-funded investment in the Endowment Match Program to be authorized in the 2008-10 biennium.

Under the proposed expansion, 75 percent of the funding (\$150 million) will be appropriated to the Research Challenge Trust Fund for Kentucky's two research institutions. UK will receive \$100 million and UofL will receive \$50 million, preserving the 2-to-1 ratio built into the statutory law for this particular trust fund.

The remaining 25 percent of the funding (\$50 million) will be split between the Regional University Excellence Trust Fund (\$40 million) and the Workforce Development Trust Fund (\$10 million) in support of mission-specific programs at Kentucky's six comprehensive universities and 16 community and technical colleges. All funding must be matched with private donations and will be invested in the endowments of the respective institutions.

Highlights

- Fourth round of funding of \$200 million over the biennium.
- All funding must be matched with private donations and will be invested in the endowments of the institutions.
- Strengthens academic quality and economic development by attracting the best and brightest faculty to Kentucky.

The Return on Investment: 10 Years of the Bucks for Brains Program*

(dollars in millions)

Indicator	1997	2000	2003	2004	2005	2006
Annual giving	\$87.7	\$92.5	\$87.6	\$97.1	\$119.4	\$128.6
Endowment market value	\$447.4	\$823.9	\$887.5	\$1,081.4	\$1,184.4	\$1,465.4
Endowed chairs	53	125	164	178	190	199
Endowed professorships	49	136	201	211	218	256
Federal R&D expenditures	\$75.6	\$91.6	\$159.9	\$184.4	\$209.9	\$221.7
Extramural R&D expenditures	\$105.2	\$147.1	\$249.5	\$284.4	\$309.7	\$327.4
Invention disclosures received	70	94	92	141	142	157
New patent applications filed	33	50	52	73	86	43
Licenses & options executed	6	16	17	15	21	31
Active licenses & options	59	67	77	86	116	142
Start-up companies formed	0	6	2	6	7	11

*Combined UK & UofL data only; based on the Association of University Technology Managers Annual Survey (AUTM)

Program objectives

- To attract private contributions to Kentucky's public institutions by encouraging a long-term planning approach to be phased over multiple biennia.
- To ensure a balance in the Council's overall budget request between "quantity" (Double the Numbers focus) and "quality" in campus faculty and programs.
- To offset the emphasis in the Council's budget recommendation on General Fund cash appropriations with a prudent bond-funded program.
- To balance the stabilizing effects and benefits of increased endowments among all of Kentucky's public institutions, including its research and comprehensive universities and community and technical colleges.

How it works

The Council, in consultation with the campuses, establishes the areas of concentration within which program funds are used, develops guidelines for the distribution of program funds, and reviews reports from the institutions on the use of funds and the results achieved.

The public university boards of trustees and boards of regents review and approve all donations, gifts, and pledges used to establish new endowments or expand existing endowments, for which matching state funds will be requested. Documentation of board approval must be submitted with each endowment request.

Measuring success

As the chart above illustrates, the Bucks for Brains program has been highly successful in increasing annual giving, endowment market value, and federal and extramural R&D expenditures at Kentucky's research universities.

Institutional outcomes will be reviewed by the Council annually and reported to the Interim Joint Committee on Appropriations and Revenue, the Interim Joint Committee on Education, the Strategic Committee on Postsecondary Education, and the Legislative Research Commission.